

Message Text

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21

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E.O. 11652: N/A

TAGS: BPRO, BTRA, RO, XT

SUBJ: ROMANIAN SMALL CAR PROJECT: GM INTEREST

REF: USDOC 10275

1. SUMMARY. AFTER YEARS OF BEING UNABLE TO INTEREST U.S. AUTO MAKERS IN ITS SMALL CAR PROJECT, ROMANIA FINDS ITSELF IN HAPPY POSITION OF HAVING TWO U.S. FIRMS IN NEGOTIATION SIMULTANEOUSLY. LIKE CHRYSLER, GM IS NOW ENGAGED IN EXPLORATORY DISCUSSIONS, BUT PACE APPEARS TO BE MORE RAPID. END SUMMARY.

2. GM REGIONAL REPS (NEWLY-APPOINTED EE AREA MGR. NEWTON AND SOURCE DEV. DIR. KRAUSE) VISITED BUCHAREST EARLY JULY, UNAWARE OF EARLIER GOR APPROACHES IN CONJUNCTION WITH MINISTER AVRAM'S VISIT. THEIR AVOWED OBJECTIVE WAS TO MAKE COMPARATIVE ANALYSIS OF CLIMATE IN EE COUNTRIES IN LINE WITH WHAT NEWTON STATED WAS GM'S DETERMINATION TO "DO SOMETHING" IN AREA. EXCHANGES WITH MINISTRY OF HEAVY MACHINE BUILDING YIELDED SUFFICIENTLY INTERESTING RESULTS THAT NEWTON AND KRAUSE RETURNED LATE JULY TO CONTINUE DISCUSSIONS.

3. AS HASTILY OUTLINED BY NEWTON PRIOR TO DEPARTURE, SECOND ROUND OF TALKS PROGRESSED RATHER WELL. NEWTON DEFINITELY
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INTERESTED IN POSSIBILITY OF GM COLLABORATION WITH ROMANIA

CONCERNING MANUFACTURE AND EXPORT MARKETING OF SMALL CAR. PROPOSAL TAKING SHAPE WOULD CALL FOR GM TO ASSIST GOR TO ESTABLISH FACILITY FOR MANUFACTURE OF ABOUT 120,000 UNITS PER ANUM OF GM'S "T" CAR. GM WOULD MARKET SUBSTANTIAL PORTION OF THIS PRODUCTION IN ITS WESTERN EUROPEAN MARKETS.

4. MAJOR DIFFERENCE BETWEEN TWO SIDES RELATED TO FORM OF COLLABORATION. ROMANIANS (DEPUTY MINISTER BUTOI) PUSHED FOR GM EQUITY PARTICIPATION, WHICH NEWTON FIRMLY RESISTED. GM COUNTER-PROPOSAL ENVISAGED GM ASSISTANCE FOR GOR TO SECURE FINANCING IN WEST FOR IMPORTATION OF SUBSTANTIAL QUANTITY OF COSTLY CAPITAL EQUIPMENT REQUIRED FOR NEW PLANT. (NEWTON RESPONDED POSITIVELY WHEN ASKED WHETHER THIS MIGHT ENTAIL APPLICATION TO EXIM).

4. NEWTON/KRAUSE PLAN TO VISIT BUCHAREST LATER THIS MONTH, UNDETERRED BY DISAGREEMENT OVER KIND OF COOPERATION.

5. COMMENT. IN BRIEF DISCUSSION WITH EMBOFF ON AUGUST 2, MINISTER AVRAM MADE CLEAR HIS DELIGHT AT HAVING BOTH CHRYSLER AND GM BIDDING SIMULTANEOUSLY. HE SUGGESTED OFFERS FROM BOTH FIRMS WERE ATTRACTIVE ENOUGH TO WARRANT FURTHER EXPLORATION. WHEN ASKED WHY BUTOI HAD INSISTED ON JOINT VENTURE FRAMEWORK WITH GM WHEN HE HAD NOT DONE SO WITH CHRYSLER, AVRAM INDICATED THAT HAD SIMPLY BEEN TACTICAL MOVE.

6. ASIDE FROM AMERICAN FIRMS, FRENCH CAR MAKER RENAULT UNDERSTOOD TO BE BACK IN ACTIVE NEGOTIATIONS. WE LEARNED FROM FRENCH EMBASSY SOURCE THAT LENGTHY DISCUSSIONS ON ROMANIAN CAR PROJECT OCCURRED DURING CHIRAC VISIT.
BARNES

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